

Congress of the United States
House of Representatives
Washington, DC 20515-5401

July 8, 2009

The Honorable Charles B. Rangel
Chairman
House Committee on Ways and Means
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Rangel:

I write to thank you for the remarkable work you have done thus far to ensure that the nearly four and a half million Americans residing in Puerto Rico and the other U.S. territories are fully and fairly integrated into the national health care system. As was evident from the rousing ovation you received at the June 25th press conference in support of health care parity for the territories, your efforts on this front are widely known and profoundly appreciated.

I know that you are familiar with the various disparities that my constituents face under Medicare, and I wanted to take this opportunity to reiterate my strong hope that these disparities will be eliminated in the tri-committee bill that the House will consider in the coming weeks. As you are aware, there are four principal disparities.

First, Puerto Rico is the only jurisdiction under the Inpatient Prospective Payment System where hospitals do not receive 100% of the national payment rates. Instead, payments to Island hospitals are based on a blend of 75% national rates and 25% Puerto Rico rates, which are significantly lower than national rates. According to the Puerto Rico Hospital Association, this blended formula cost Puerto Rico's hospitals more than \$24 million in Medicare reimbursements in 2008.

Second, Puerto Rico hospitals serving large numbers of low-income patients do not receive fair DSH reimbursement because SSI, a major factor in calculating such payments, has not been extended to the Island. A commonsense near-term solution—to adjust the DSH formula to account for Puerto Rico's unique situation—has not been adopted by Congress to date.

Naturally, these two funding disparities compromise patient care, as hospitals on the Island are compelled to cut services, lay off staff, and defer critical investments in infrastructure and

technology. In March, I introduced two bills, H.R. 1501 and H.R. 1502, that would address these inequalities and provide payment parity for Puerto Rico hospitals. I respectfully ask that you consider incorporating the language of these two bills into the tri-committee legislation.

Third, Puerto Rico is the only U.S. jurisdiction where individuals enrolled in Part A are not automatically enrolled in Part B. The result is that Puerto Rico has the lowest Part B participation in the country and Puerto Rico seniors pay millions of dollars in recurring late enrollment fees each year. Although the original intent of this rule may have been benign, it is clear from all the evidence that its practical effect has been negative. Rectifying this inequity should have no budget impact.

Fourth, whereas the states receive federal subsidies—based on need—to help their low-income seniors purchase prescription drugs under Part D, Puerto Rico receives only a limited block grant for this purpose.

Finally, as you consider changes to the Medicare program more generally, I would respectfully ask that you bear in mind that the average Medicare spending per person in Puerto Rico under the traditional fee-for-service program is 62% lower than any state and 200% lower than the national average. Since the significantly lower Medicare reimbursement levels in Puerto Rico have widespread implications for all health care spending on the Island, we appreciate your efforts to ensure that Puerto Rico is not disproportionately harmed by policy changes in the Medicare program.

President Obama has pledged to seek equal coverage of Puerto Rico under Medicare, as the moral and public policy arguments in favor of eliminating these disparities are crystal clear. And given that the residents of Puerto Rico pay the same Medicare taxes as their fellow citizens in the states, fairness requires that they receive the same benefits as those in the states. I continue to be grateful for your leadership on this issue, and I hope that we seize the unique opportunity before us.

Sincerely,



Pedro R. Pierluisi
Member of Congress